



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 23rd day of April, 1998

Essential air service at

**ALAMOSA, COLORADO,  
LARAMIE, WYOMING,  
RIVERTON/LANDER, WYOMING,  
ROCK SPRINGS, WYOMING, AND  
WORLAND, WYOMING**

under 49 U.S.C. 41731 *et seq.*

**Docket OST-97-2960  
Docket OST-97-2958  
Docket OST-97-2956  
Docket OST-97-2959  
Docket OST-97-2981**

**ORDER SELECTING CARRIER**

**Summary**

By this order the Department of Transportation is selecting Great Lakes Aviation, Inc., d/b/a United Express, to provide essential air service with subsidy support at Alamosa, Colorado, for an annual rate of subsidy compensation of \$950,262, at Rock Springs, Wyoming, for \$363,993 annually, and at Laramie and Worland, Wyoming (combined), for \$989,234 annually. (See Appendix A for a map of the service area, and see Appendix C for summary calculations of the subsidy rates.) The Department will rely on the subsidy-free proposal of Great Lakes Aviation to satisfy the essential air service requirements of Riverton/Lander (Riverton).

**Background**

On October 1, 1997, Mesa Airlines, Inc., d/b/a United Express, filed 90-day notices of intent to suspend service as of December 30, 1997, at Alamosa and Pueblo, Colorado; North Platte and Scottsbluff, Nebraska; and Lovell/Powell/Cody (Cody), Laramie, Riverton, and Rock Springs, Wyoming. By subsequent notice filed October 7, 1997, Mesa stated its intent to suspend all of its air service as of January 5, 1998, at Worland, Wyoming. The Department currently subsidizes Mesa's service at Worland under Orders 96-10-39, and Order 97-8-14. Mesa serves the other points on a subsidy-free basis.

By Order 97-12-8, December 5, 1997, the Department solicited proposals from air carriers interested in providing essential air service at Alamosa, North Platte, Scottsbluff, Laramie, Riverton, Rock Springs, and Worland, while requiring Mesa to maintain its service for an

additional 30-day period at each of these points.<sup>1</sup> By that same order, the Department amended the essential air service determination for Cody to require service to either Denver or Salt Lake City, and allowed Mesa to suspend service at Cody and Pueblo on or after December 30, 1997.

Great Lakes submitted proposals to provide subsidy-free service at North Platte and Scottsbluff and subsidy proposals for the other five communities. Big Sky Airlines submitted a subsidy proposal to serve Riverton, and Heartland Aviation submitted a subsidy proposal to serve Laramie. (These proposals are summarized below.)

By Order 98-2-8, February 9, 1998, the Department stated that it would rely on the subsidy-free proposal of Great Lakes to satisfy the essential air service requirements of North Platte and Scottsbluff, leaving only Alamosa, Laramie, Riverton, Rock Springs, and Worland at issue.

### **Summary of Air Carrier Proposals**

As indicated above, the Department has conducted informal subsidy rate conferences for all the proposals. Of note is that Great Lakes Aviation has now agreed to provide Riverton's essential air service subsidy free. The post-rate-conference proposals are as follows:

(1) Big Sky Airlines proposes to provide service with 18-passenger Metro III aircraft at Riverton consisting of four nonstop round trips to Denver each weekday and each weekend for an annual subsidy of \$429,658 for the first year and \$318,596 for the second year. (One round trip would also operate upline to Billings, Montana.)

(2) Heartland Aviation<sup>2</sup> proposes to provide service with 30-passenger Dornier 328 aircraft at Laramie consisting of three nonstop round trips to Denver each weekday and each weekend for an annual subsidy of \$458,644. (One round trip would also operate upline to Rapid City, South Dakota.)

(3) Great Lakes Aviation proposes to provide service with 19-passenger Beech 1900 aircraft at Riverton consisting of at least three round trips to Denver each weekday and each weekend without subsidy.

(4) Great Lakes proposes to provide service with 19-passenger Beech 1900 aircraft at Alamosa consisting of three nonstop or one-stop (at Pueblo) round trips to Denver each weekday and each weekend for an annual subsidy of \$950,262.

(5) Great Lakes proposes to provide service with 19-passenger Beech 1900 aircraft at Laramie and Worland consisting of three round trips to Denver each weekday and each

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<sup>1</sup> The Department has extended the requirement for Mesa to maintain service for successive 30-day periods, most recently by Order 98-3-21, March 26, 1998. The Department will continue to require Mesa to maintain its service until the carrier transition is complete.

<sup>2</sup> Heartland Aviation, based in Gwynedd, Pennsylvania, currently does not conduct scheduled passenger service.

weekend over the routing Worland-Laramie-Denver for an annual subsidy of \$989,234. (The carrier would also have the flexibility to serve Worland over the routing Worland-Riverton-Denver. In any event, Laramie would receive service consisting of three nonstop round trips to Denver each weekday and each weekend.)

(6) Great Lakes proposes to provide service with 19-passenger Beech 1900 aircraft at Rock Springs consisting of three nonstop round trips to Denver each weekday and each weekend for an annual subsidy of \$363,993.

### **Community Comments**

By letters dated April 8, 1998, we advised the Mayors and Airport Managers of Alamosa, Laramie, Rock Springs, and Worland, and the Directors of Aeronautics of Colorado and Wyoming of the results of our negotiations with the three applicant carriers, and sought comments on carrier selection from these officials. (We also advised the Mayors of Riverton and Lander and the Airport Manager of Riverton that Great Lakes had determined that it could provide Riverton/Lander service without subsidy, and that there was thus no carrier selection decision.)

The comments we received from the communities are summarized as follows:

(1) The Airport Manager/City Manager of Alamosa has advised us by letter dated April 14, 1998, that, while the schedule offered by Great Lakes is acceptable, the community questions the desirability of an intermediate stop at Pueblo. He expressed the desire that Great Lakes make use of the subsidy to market its service, and that it offer low fares. He also asked that service be provided to Colorado Springs (possibly as an intermediate stop in lieu of Pueblo) and to Albuquerque. The Chairman of the San Luis Valley Regional Airport [Alamosa] Board of Control also commented by letter dated April 17, 1998, that it is inappropriate for Alamosa to be "subsidizing" Pueblo air service.

(2) The Vice Mayor and Airport Manager of Laramie have advised us by letters dated April 14, 1998, and April 17, 1998, respectively, that Laramie supports the selection of Great Lakes.

(3) The Airport Manager of Rock Springs has advised us by letter dated April 13, 1998, that his office supports the selection of Great Lakes, that it is vitally important that the hub for Rock Springs be Denver, and that airfares from Rock Springs must be competitive with those available at Salt Lake City (approximately 180 highway miles away).

(4) Governor Geringer of Wyoming has advised us by letter dated April 14, 1998, that he supports the selection of Great Lakes to provide essential air service at Riverton, Worland, Laramie, and Rock Springs.

With particular regard to the comments submitted by Alamosa, we note that one-stop service proposals are fully consistent with the community's essential air service definition. Consistent with longstanding program practice, we negotiated a proposal with Great Lakes that did not

burden the subsidy rate with the cost of the intermediate stop at Pueblo. (Indeed, for reasons discussed in Order 97-12-8, page 2, we are precluded from subsidizing any service at Pueblo.) Further, under the law (49 U.S.C. 41732(a)(1)) we are required to support service to a hub airport. Denver, Colorado Springs, and Albuquerque each qualifies as a hub; thus, service to any one of these points would satisfy Alamosa's essential air service requirements.

### **Selection Decision**

In selecting carriers to provide essential air service, the Department is specifically required under 49 U.S.C. 41733 to consider: (A) the demonstrated reliability of the applicant in providing scheduled air service; (B) the contractual and marketing arrangements the applicant has made with a larger carrier to ensure service beyond the hub airport; (C) the interline arrangements that the applicant has made with a larger carrier to enable connecting passengers and cargo at the hub airport to be transported by the larger carrier through one reservation, ticket, and baggage check-in; and (D) the preferences of the actual and potential users of air transportation at the eligible place, giving substantial weight to the views of the elected officials representing the users. In addition to these statutory selection criteria, the Department also considers the subsidy cost of the proposal options and the overall quality of the proposed service.

Consistent with the Department's long-standing practice and the statutes governing the essential air service program, we will rely on the subsidy-free service proposed by Great Lakes to satisfy the essential air service requirements of Riverton. By law, the Department may only authorize subsidy to an airline if the community would otherwise not receive its essential air service. (See 49 U.S.C. 41733(c).) In this case we have a fully credible carrier that is prepared to operate the service on a subsidy-free basis.

At the remaining four communities, after review of the proposals, Great Lakes' recent service history, and the comments of the communities we have decided to select Great Lakes to provide the proposed service at the agreed subsidy rates, effective when the proposed service is inaugurated through April 30, 2000. As we indicate below, we find that Great Lakes is capable of providing reliable air service. Great Lakes has a codesharing agreement with United Airlines, the dominant scheduled carrier at the Denver hub, thus ensuring connecting service beyond the hub through one reservation, ticket, and baggage check-in. Finally, the preponderance of community views favors selection of Great Lakes.

The level of service proposed by Great Lakes--18 round trips to Denver each week for each community--is appropriate, given the service and traffic histories of these communities. While we are willing to subsidize that service for the time being, we note that the subsidy required to support those levels of service is substantial, principally because of the higher costs incurred by Great Lakes in operating at Denver International Airport compared to Stapleton, the city's former airport, and of the relative difficulty carriers seem to be experiencing in realizing compensatory passenger fares in markets such as these. We will closely reexamine the communities' continuing service needs in light of their responses to the service we are supporting when we undertake our next rate reviews in late 1999. In the meantime, we expect that traffic at the communities will show significant growth and ultimately serve to

reduce Great Lakes' subsidy requirements. To that end, we expect Great Lakes, civic officials, and major businesses to work energetically together to promote the service improvements. In that regard, we have earmarked in Great Lakes' subsidy rates specific dollar amounts for local advertising, and we fully expect the carrier to use those amounts as proposed.

As a final matter, before Mesa suspends its service at any of the subject points, we expect it to contact all passengers holding reservations for travel after the suspension date, to notify them of the suspension of service, and to assist them in making alternative travel arrangements.

### **Carrier Fitness**

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing, and able to provide reliable service before we may pay it for essential air service. We last found Great Lakes Aviation fit to provide scheduled passenger service as a commuter air carrier, when we selected it to provide subsidized service at Dickinson, North Dakota, by Order 98-2-29, February 25, 1998. The Department has routinely monitored the carrier's continuing fitness, and based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to establish and maintain reliable service at Alamosa, Laramie, Riverton, Rock Springs, and Worland, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Great Lakes remains fit.

This order is issued under authority delegated in 49 CFR 1.56(i).

### **ACCORDINGLY**

1. The Department selects Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Alamosa, Colorado, and at Laramie, Rock Springs, and Worland, Wyoming, as described in Appendix B to this order, for the two-year period beginning on

the date the carrier inaugurates the level of service described in Appendix B, through April 30, 2000;

2. The Department sets a final rate of compensation for Great Lakes Aviation, Ltd., d/b/a United Express, for the provision of essential air service at Alamosa, Colorado, and at Laramie, Rock Springs, and Worland, Wyoming, for the period set forth in ordering paragraph (1), above, to be payable as follows: For each calendar month in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rates set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible departures performed during the month by the following amounts:<sup>3</sup>

Alamosa	\$516.45
Laramie	\$268.81
Rock Springs	\$197.82
Worland	\$268.81

3. We will rely on Great Lakes Aviation, Ltd., d/b/a United Express, to provide subsidy-free essential air service at Riverton/Lander, Wyoming;

4. We find that Great Lakes Aviation, Ltd., d/b/a United Express, continues to be fit, willing, and able to operate as an air carrier and capable of providing reliable essential air service at Alamosa, Colorado, and Laramie, Riverton/Lander, Rock Springs, and Worland, Wyoming;

5. The Department directs Great Lakes Aviation, Ltd., d/b/a United Express, to retain all books to retain all books, records, and other source and summary documentation to support subsidy claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination thereof by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

6. Dockets OST-97-2960, OST-97-2958, OST-97-2956, OST-97-2959, and OST-97-2981 shall remain open until further order of the Department; and

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<sup>3</sup> See Appendix B for calculations of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

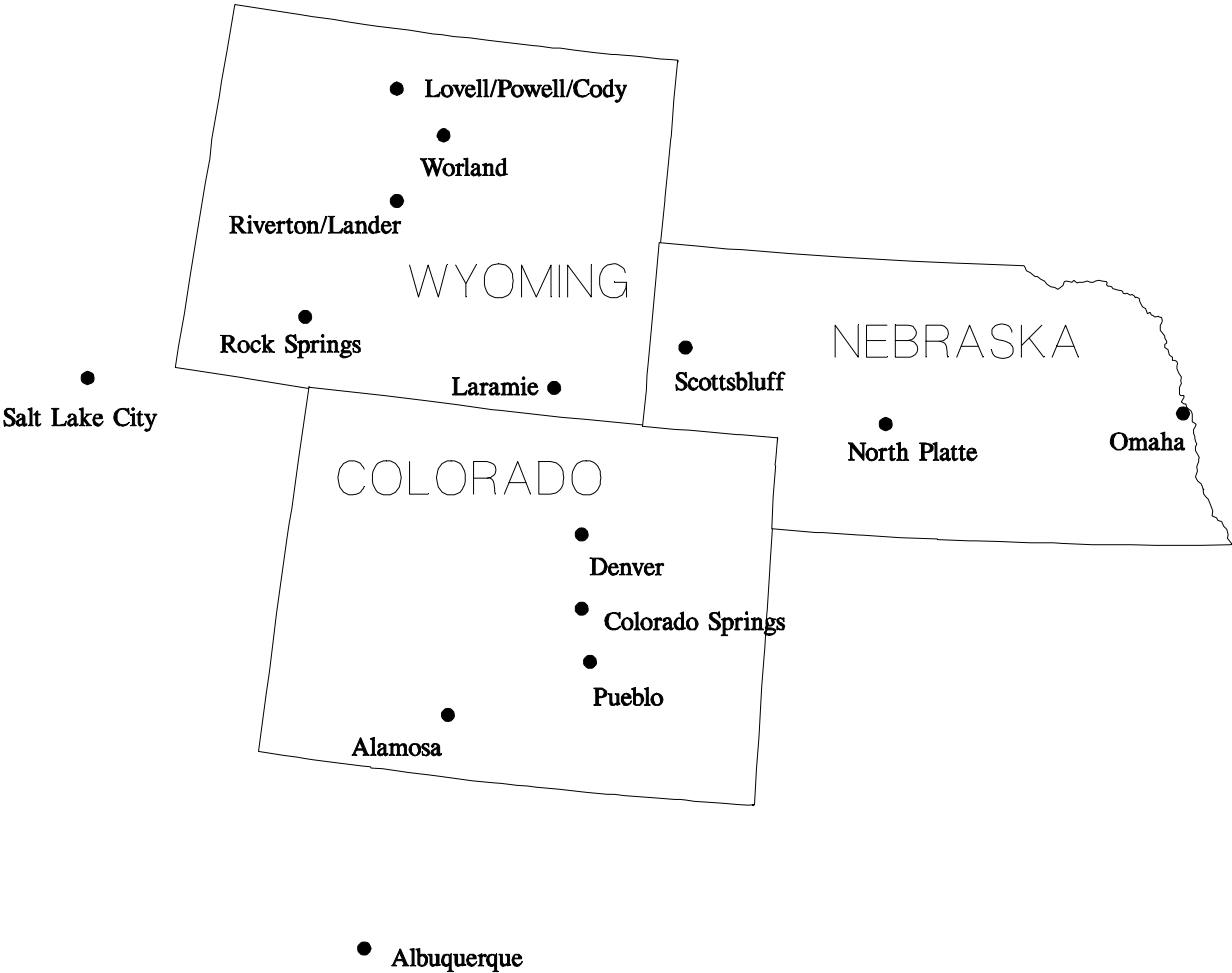
7. We will serve a copy of this order on the Mayors and Airport Managers of Alamosa, Colorado; and Laramie, Riverton, Lander, Rock Springs, and Worland, Wyoming; the Governors of Colorado and Wyoming; the Directors of the Colorado Division of Aeronautics, and the Wyoming Department of Transportation; Mesa Air Group; and Great Lakes Aviation.

By:

**CHARLES A. HUNNICUTT**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at  
<http://dms.dot.gov/>  
The electronic version may not include all of the appendices.*





Great Lakes Aviation, Inc., d/b/a United Express  
Essential Air Service To Be Provided at Alamosa, Colorado,  
and Laramie, Rock Springs, and Worland, Wyoming

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of this order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirement at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Great Lakes Aviation, Inc., d/b/a United Express  
Essential Air Service To Be Provided at Alamosa, Colorado,  
and Laramie, Rock Springs, and Worland, Wyoming

Effective period: The two-year period beginning on the date the carrier inaugurates the level of service described below, through April 30, 2000.

Service: Three round trips to Denver on weekdays and weekends for each point.

Aircraft type: Beech 1900 (19 passenger seats).

Minimum number of  
seats to be available in  
each direction:

Alamosa:	57 each weekday and weekend, less preemption.
Laramie:	57 each weekday and weekend, less preemption.
Rock Springs:	57 each weekday and weekend, less preemption.
Worland:	57 each weekday and weekend, less preemption.

Intermediate stops and upline service:	Alamosa:	Nonstop or one-stop (at Pueblo) to Denver; no upline limitations.
	Laramie:	Nonstop to Denver; no upline limitations.
	Rock Springs:	Nonstop to Denver; no upline limitations.
	Worland:	Nonstop or one-stop (at Laramie or Riverton) to Denver; no upline limitations.

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation.

Great Lakes Aviation, Inc., d/b/a United Express  
Essential Air Service To Be Provided at Alamosa, Colorado,  
and Laramie, Rock Springs, and Worland, Wyoming

Subsidy rate for each arrival from  
or departure to Denver:

Alamosa:	\$516.45 <sup>1</sup>
Laramie:	\$268.81 <sup>2</sup>
Rock Springs:	\$197.82 <sup>3</sup>
Worland:	\$268.81 <sup>4</sup>

Weekly compensation ceiling: <sup>5</sup>

Alamosa:	\$18,592.20 <sup>6</sup>
Laramie:	\$9,677.16
Rock Springs:	\$7,121.52
Worland:	\$9,677.16

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<sup>1</sup> Annual compensation of \$950,262 (from Appendix C), divided by the number of departures estimated to be performed annually (1,840 departures, calculated by multiplying six departures per service day by 313 annual weekdays and multiplying further by 98 percent completion.)

<sup>2</sup> Annual compensation of \$989,234 (from Appendix C), divided by two (to summarily allocate an amount of the Laramie/Worland rate to Laramie), divided further by the number of departures estimated to be performed annually for each point (1,840 departures, calculated as in Note (1), above).

<sup>3</sup> Annual compensation of \$363,993 (from Appendix C), divided by the number of departures estimated to be performed annually (1,840 departures, calculated as in Note (1), above).

<sup>4</sup> Annual compensation of \$989,234 (from Appendix C), divided by two (to summarily allocate an amount of the Laramie/Worland rate to Worland), divided further by the number of departures estimated to be performed annually for each point (1,840 departures, calculated as in Note (1), above).

<sup>5</sup> Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.

<sup>6</sup> The weekly ceiling for each of the four points was calculated by multiplying the subsidy rate for each arrival/departure by the number of scheduled subsidy-eligible flights per week (36 for each point).

Great Lakes Aviation, Inc., d/b/a United Express,  
Proposal To Provide Essential Air Service at Alamosa, Colorado  
Calculation of compensation requirement

Estimated annual block hours	1,840
Estimated annual departures:	
Alamosa	920
Denver	<u>920</u>
Total estimated annual departures	1,840
Estimated annual available seat-miles	6,257,840

Operating revenue:

	<u>Market</u>	<u>Estimated passengers</u>	<u>Average fare</u>	<u>Passenger revenue</u>	<u>Trip distance</u>	<u>Revenue passenger miles</u>
	ALS-DEN	10,050	\$85.00	\$854,250	179	1,798,950
Other revenue		\$854,250	0.01	<u>8,543</u>		
Total operating revenue				\$862,793		

Operating expense:

Direct operating expense:			
Flying operations	\$102.91	1,840	\$189,354
Fuel & oil	\$97.59	1,840	179,569
Maintenance	\$161.16	1,840	296,534
Hull insurance	\$10.03	1,840	18,450
Aircraft lease	\$175.60	1,840	<u>323,100</u>
Total direct operating expense			\$1,007,007

Indirect operating expense:

Marketing expense	\$20,477
Other traffic-related expense	205,096
Station-related expense	407,839
General & administrative	<u>86,300</u>
Total indirect operating expense	\$719,712

Total operating expense \$1,726,719

Operating loss \$863,926

Profit element \$1,726,719 0.05 86,336

Compensation requirement \$950,262

Great Lakes Aviation, Inc., d/b/a United Express,  
Proposal To Provide Essential Air Service at Laramie and Worland, WY  
Calculation of compensation requirement

Estimated annual block hours	3,174
Estimated annual departures:	
Worland	920
Laramie	1,840
Denver	<u>920</u>
Total estimated annual departures	3,680
Estimated annual available seat-miles	11,574,528

Operating revenue:

	Estimated	Average	Passenger	Trip	Revenue
Market	passengers	fare	revenue	distance	passenger miles
WRL-DEN	7,250	\$99.00	\$717,750	331	2,399,750
LAR-DEN	<u>19,500</u>	\$70.00	<u>1,365,000</u>	114	<u>2,223,000</u>
Totals	26,750		\$2,082,750		4,622,750
Other revenue	\$2,082,750	0.01	<u>20,828</u>		
Total operating revenue			\$2,103,578		

Operating expense:

Direct operating expense:

Flying operations	\$102.91	3,174	\$326,636
Fuel & oil	\$109.68	3,174	348,126
Maintenance	\$166.62	3,174	528,852
Hull insurance	\$5.81	3,174	18,450
Aircraft lease	\$101.80	3,174	<u>323,100</u>
Total direct operating expense			\$1,545,164

Indirect operating expense:

Marketing expense	\$51,195
Other traffic-related expense	531,719
Station-related expense	685,036
General & administrative	<u>132,421</u>
Total indirect operating expense	\$1,400,371

Total operating expense \$2,945,535

Operating loss \$841,957

Profit element \$2,945,535 0.05 147,277

Compensation requirement \$989,234

Great Lakes Aviation, Inc., d/b/a United Express,  
Proposal To Provide Essential Air Service at Rock Springs, WY  
Calculation of compensation requirement

Estimated annual block hours	2,377
Estimated annual departures:	
Rock Springs	920
Denver	<u>920</u>
Total estimated annual departures	1,840
Estimated annual available seat-miles	9,091,774

Operating revenue:

	Market	Estimated passengers	Average fare	Passenger revenue	Trip distance	Revenue passenger miles
Passenger revenue:	RKS-DEN	21,000	\$95.00	\$1,995,000	260	5,460,000
Other revenue		\$1,995,000	0.01	<u>19,950</u>		
Total operating revenue				\$2,014,950		

Operating expense:

Direct operating expense:			
Flying operations	\$102.91	2,377	\$244,617
Fuel & oil	\$89.49	2,377	212,726
Maintenance	\$153.42	2,377	364,685
Hull insurance	\$7.76	2,377	18,450
Aircraft lease	\$135.93	2,377	<u>323,100</u>
Total direct operating expense			\$1,163,578

Indirect operating expense:

Marketing expense	\$37,340
Other traffic-related expense	842,353
Station-related expense	122,670
General & administrative	<u>99,719</u>
Total indirect operating expense	\$1,102,082

Total operating expense	<u>\$2,265,660</u>
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Operating loss	\$250,710
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Profit element	\$2,265,660	0.05	<u>113,283</u>
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Compensation requirement	<u>\$363,993</u>
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